

Hearing Date and Time: July 14, 2010 at 10:00 a.m. (Eastern Time)
Objection Deadline: July 7, 2010 at 4:00 p.m. (Eastern Time)

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

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In re	:	Chapter 11 Case No.
	:	08-13555 (JMP)
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	:	
	:	
Debtors.	:	(Jointly Administered)
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**RESPONSE AND RESERVATION OF RIGHTS OF FEDERAL NATIONAL
MORTGAGE ASSOCIATION TO MOTION OF THE DEBTORS, PURSUANT TO
SECTIONS 105(a), 363(b)(1) AND 363(f) OF THE BANKRUPTCY CODE AND RULE
6004(h) OF THE BANKRUPTCY RULES, FOR AUTHORIZATION TO TRANSFER
CERTAIN MORTGAGE SERVICING RIGHTS TO AURORA BANK FSB**

Federal National Mortgage Association (“Fannie Mae”), by and through its undersigned counsel, hereby submits this response and reservation of rights (the “Response”) regarding the motion (the “Motion”) of Lehman Brothers Holdings Inc. (“LBHI”) and its affiliated debtors in the above-captioned cases (collectively, the “Debtors”), Pursuant to Sections 105(a), 363(b)(1) and 363(f) of the Bankruptcy Code and Rule 6004(h) of the Bankruptcy Rules, for Authorization to Transfer Certain Mortgage Servicing Rights to Aurora Bank FSB dated June 23, 2010 [Docket No. 9809] (the “Motion”) filed by Lehman Brothers Holdings Inc. (“LBHI”) and its affiliated debtors in the above-captioned cases (collectively, the “Debtors”), and in support hereof respectfully represents as follows:

1. Fannie Mae is the owner of many thousands of mortgage loans that LBHI services for Fannie Mae under the terms and conditions of a certain Mortgage Selling and Servicing Contract (the “Contract”) between Fannie Mae and LBHI. Lehman has contracted with Aurora Loan Services, LLC (“Aurora”) to subservice the loans.

2. LBHI has filed the Motion seeking approval for the transfer of mortgage servicing rights (“MSRs”) (which derive from the Contract) for a portion of the loans that it services for Fannie Mae (the “Designated Fannie Mae MSRs”). As noted in the Motion, under the terms of the Contract, there are various representations and warranties, covenants, duties, and obligations that are required to be addressed and met by LBHI, including that LBHI must obtain Fannie Mae’s consent to any transfer of the Designated Fannie Mae MSRs.

3. Fannie Mae is not opposed to the agreement in principle to transfer of the Designated Fannie Mae MSRs to Aurora Bank FSB (the “Bank”), but wishes (i) to avoid any confusion and (ii) to clarify (a) that it has not yet consented to a transfer and (b) that it also has not reached a definitive agreement with LBHI, the Bank, or Aurora on the terms and conditions of transfer of the Designated Fannie Mae MSRs or on other aspects of the proposed series of transaction that are expected to occur between LBHI, Bank, Aurora, and Fannie Mae on or after a transfer of the Designated Fannie Mae MSRs takes place between LBHI and the Bank. Fannie Mae continues to negotiate agreements on some of those key terms, including obtaining clear confirmation from LBHI with respect to LBHI’s continuing obligations for, among other things, (i) representations and warranties regarding sales of the Designated Fannie Mae MSRs, (ii) repurchase obligations, (iii) servicing obligations, and (iv) other obligations related to the Designated Fannie Mae MSRs and other MSRs.

4. For the purpose of clarifying some of the language in the Motion, Fannie Mae has not yet agreed to approve either the Bank or Aurora for any additional Fannie Mae programs.

Fannie Mae is in the process of negotiating such approvals, but the terms and conditions thereof have not yet been agreed upon.

5. As noted by LBHI, any transfer of the Designated Fannie Mae MSRs is subject to the transferee servicer's assumption of various selling and servicing representations and warranties and obligations, unless otherwise agreed to by Fannie Mae. The parties have not yet agreed on what obligations will or will not be required to be assumed. Therefore, there is no certainty that, as referenced in Paragraph 17 of the Motion, Fannie Mae will approve the transfer of all or any of the Designated Fannie Mae MSRs, nor is it certain that Fannie Mae will approve Bank as a seller/servicer or Aurora as a servicer, or the terms under which any such approval might occur. All such considerations currently remain conditional, and subject to further negotiation.

6. Because the Debtors are only seeking authorization to transfer the Designated Fannie Mae MSRs to the Bank, Fannie Mae is not opposed to the relief sought in the Motion. However, Fannie Mae has some additional concerns that need to be addressed, and anticipates that those concerns will be resolved consensually.

7. It is critical that Fannie Mae obtains a clear understanding of and verifies the financial benefits that are to accrue to the Bank from its referenced Settlement with LBHI. As noted in Paragraph 13 of the Motion, the Bank has a diminished capital level, the Office of Thrift Supervision has issued a Prompt Corrective Action order, and the Bank has required significant support from LBHI to maintain even this diminished financial status.

8. Fannie Mae reserves all of its rights to file additional pleadings with the Court with respect to the issues raised in the Motion and this Response and with respect to all other matters concerning the Contract and the Designated Fannie Mae MSRs. Nothing herein constitutes a waiver of any of Fannie Mae's rights or claims against the Debtors, and Fannie Mae hereby reserves all such rights.

Dated: July 7, 2010
New York, New York

Respectfully submitted,

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